



**CALIFORNIA  
MEDICAL  
ASSOCIATION**



California  
CHAPTER

*American College of Cardiology.*

AMERICA'S  
PHYSICIAN  
GROUPS



**ACHD**  
ASSOCIATION OF CALIFORNIA  
HEALTHCARE DISTRICTS



**CALIFORNIA ACEP**  
AMERICAN COLLEGE OF EMERGENCY PHYSICIANS



California Association of  
**Health Plans**



The American College of  
Obstetricians and Gynecologists  
WOMEN'S HEALTH CARE PHYSICIANS

**C|S|A|P**  
CALIFORNIA STATE  
ASSOCIATION OF PSYCHIATRISTS

CALIFORNIA ACADEMY of  
CHILD & ADOLESCENT PSYCHIATRY



California  
**Rheumatology  
Alliance**



May 23, 2024

The Honorable Jesse Gabriel  
Chair, Assembly Budget Committee  
1020 O Street, Room 8230  
Sacramento, CA 95814

The Honorable Scott Wiener  
Chair, Senate Budget & Fiscal Review Committee  
1020 N Street, Room 502  
Sacramento, CA 95814

**RE: Reinstate MCO Tax Agreement**

Dear Chairs Gabriel and Wiener:

On behalf of a broad coalition of healthcare providers, workers and health plans in California, we urge you to maintain California's commitment to work toward universal coverage for all and to address ongoing health disparities in our state. That means upholding last year's budget agreement that dedicated revenues from the state's largest-ever Managed Care Organization (MCO) tax to expand access to care for low-income patients.

Medi-Cal is the largest Medicaid program in the country and provides critical healthcare coverage to approximately one-third of our state's population, including half of California's children. Our coalition is a broad and diverse group of providers, employees, and health plans that collectively support the needs of these low-income and vulnerable patients.

Upholding the previous agreement on how to spend the state's Managed Care Organization (MCO) tax revenues, is critical to advance California's goals of universal, equitable and quality access to care.

California's last several MCO taxes have supported the state's General Fund. The agreement reached last year provides approximately \$12 billion in general funds, while also providing dedicated revenues to increase provider rates for those that serve low-income patients. Those provider-rate increases will help keep hospitals, physician offices and community health centers open, while making it possible for more providers to see more Medi-Cal patients. The Administration's proposal sweeps all of this funding to use it for general state costs.

Dedicating a large portion of the current MCO tax – the largest in the state's history – to healthcare, as it was originally intended, is critical to making health coverage more meaningful for millions of low-income Californians.

We cannot continue to raid healthcare dollars and expect our system to absorb the millions more Medi-Cal patients we have seen over the last several years. While the number of patients on Medi-Cal continues to grow, the last series of broad Medi-Cal rate increases occurred in 1998. Increasing eligibility and benefits, while not increasing provider rates has left Medi-Cal patients in a delivery system that is chronically underfunded, overcrowded and increasingly failing to fulfill our state's goal of providing equitable, accessible and quality care.

We strongly believe that revenue generated by the reinstatement of the MCO tax must be directly dedicated to supplementing and enhancing the core areas of the Medi-Cal program such as primary and specialty care, community clinics, emergency department access, hospital services, family planning, mental health and workforce needs, to provide the funds necessary to stabilize California's healthcare system.

*We respectfully request you **reinstate the MCO Tax Agreement.***

CALIFORNIA MEDICAL ASSOCIATION  
CALIFORNIA HOSPITAL ASSOCIATION  
PLANNED PARENTHOOD AFFILIATES OF CALIFORNIA  
SEIU CALIFORNIA STATE COUNCIL  
AFSCME  
CALIFORNIA PRIMARY CARE ASSOCIATION  
CALIFORNIA ASSOCIATION OF HEALTH PLANS  
LOCAL HEALTH PLANS OF CALIFORNIA  
CALIFORNIA AMBULATORY SURGERY ASSOCIATION  
AMERICA'S PHYSICIAN GROUPS  
AltaMed  
CALIFORNIA SOCIETY OF PLASTIC SURGEONS  
ASSOCIATION OF CALIFORNIA HEALTHCARE DISTRICTS  
CALIFORNIA CHAPTER OF THE AMERICAN COLLEGE OF CARDIOLOGY  
CALIFORNIA ACADEMY OF CHILD & ADOLESCENT PSYCHIATRY  
AMERICAN COLLEGE OF OBSTETRICIANS AND GYNECOLOGISTS  
CALIFORNIA STATE ASSOCIATION OF PSYCHIATRISTS  
CALIFORNIA PODIATRIC MEDICAL ASSOCIATION  
CALIFORNIA RHEUMATOLOGY ALLIANCE  
CALIFORNIA OPTOMETRIC ASSOCIATION  
CALIFORNIA URGENT CARE ASSOCIATION  
CALIFORNIA CHAPTER OF THE AMERICAN COLLEGE OF EMERGENCY PHYSICIANS

cc: The Honorable Akilah Weber, M.D., Chair of Assembly Budget Subcommittee #1 on Health  
The Honorable Caroline Menjivar, Chair of Senate Budget & Fiscal Review Subcommittee #3 on Health & Human Services  
The Honorable Members of the Assembly Budget Committee  
The Honorable Members of the Senate Budget and Fiscal Review Committee  
Christian Griffith, Chief Consultant, Assembly Budget Committee  
Elisa Wynne, Staff Director Senate Budget and Fiscal Review Committee  
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Marjorie Swartz, Principal Consultant, Office of Senate President pro Tempore Mike McGuire  
Eric Dietz, Consultant, Assembly Republican Caucus Office of Policy and Budget  
Anthony Archie, Consultant, Senate Republican Caucus Policy and Fiscal Office